



Philippines, Mindoro

MINDORO

2003 ANNUAL REPORT

Pt 1



PROJECT HIGHLIGHT NOTES

MINDORO IN THE PHILIPPINES

- approaching 500,000 ozs inferred gold resources
- multiple gold drill targets
- at least 10 porphyry copper-gold targets
- proximity to rapidly expanding copper markets of China, Japan, Korea

BATANGAS PROJECTS

14,400 Ha in highly-mineralized gold-copper belt

LOBO

Epithermal gold resources / porphyry copper-gold targets

Epithermal gold

- 5-7 km of epithermal vein / breccia trends defined
- SW Breccia ore-shoot discovered and drilled-out to down-dip depth of 160m (28 drill holes in 2003/2004)
- impressive intersections, eg: 15m @ 9.62 g/t gold, 20m @ 9.47 g/t gold
- SW Breccia resource calculation commissioned
- Old Lobo Mine; based on old records, remaining 20 g/t gold resources at West Drift
- drilling extending to other ore-shoots

Porphyry copper-gold

- ground magnetics and geology defined strong porphyry copper-gold targets
- porphyry targets being readied for drill testing

ARCHANGEL

Epithermal gold system at higher elevations: top of related porphyry copper-gold system exposed at lower elevations

Epithermal gold – very large system being defined

- gold geochemical anomalies defined over at least 5 by 1.5 km; associated with quartz stockworking
- prior drilling in small part of this target defined low-grade, near-surface resource of 370,000 ozs gold and 1,300,000 ozs silver at Kay Tanda
- open-pit, heap leach potential of Kay Tanda and extensions being evaluated
- preliminary metallurgical test-work encouraging
- ongoing work continues to extend the gold system
- geophysics, drilling and further metallurgical test-work planned

PORPHYRY COPPER-GOLD

- porphyry copper-gold related alteration recognized at lower elevations
- abundant associated copper showings
- geophysics and drilling planned

NEW ACQUISITION LANDS-BATANGAS

- large unexplored land position
- at least 10 gold and copper-gold prospects known

PAN DE AZUCAR PROJECT

- massive pyritic sulphide deposit with low-moderate gold, silver, copper and zinc values discovered and partially drilled-out by Mindoro in 2001/2002
- nearby at Asparin Hill, porphyry copper-related mineralization recognized
- joint venture partner sought to drill targets

SURIGAO PROJECTS

24,000 Ha in Surigao Gold District: Panoro Minerals to fund \$2 million exploration programs under joint venture

TAPIAN SAN FRANCISCO

- similar setting to nearby Anglo / Philex Boyungan and Bayugo porphyry copper-gold discoveries
- strong porphyry copper-gold prospect at Gold Hill
- geophysics and drilling planned
- multiple gold prospects

TAPIAN MAIN

- epithermal gold prospects; old gold mine with remaining resources
- copper soil anomalies

AGATA

- 1999 drilling intersected significant gold mineralization on two prospects with resource potential
- geophysics and drilling planned
- nickel-cobalt laterite prospect

NEW ACQUISITION LANDS-SURIGAO

- large unexplored land position



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FRONT COVER PHOTO DESCRIPTIONS



Trenching gold showing at Archangel Project



Copper mineralization (6%) from Archangel Project



Rehabilitating drill site, SW Breccia



Man-portable drill rig at SW Breccia



Water well drilled by Mindoro for local villagers



View of Boyongan and Bayugo discoveries from Tapian San Francisco porphyry copper-gold prospect.

PRESIDENT'S MESSAGE



OVERVIEW

I am very pleased with progress over the past year as Mindoro continued to build its underlying asset value and resource base. We are moving steadily toward inferred resources of 500,000 ounces of gold, and have many undrilled gold-silver prospects. But I strongly believe that our biggest story is yet to emerge; and that is the copper story. Our Philippine focus places us close to the large and rapidly expanding economies and metal markets of China, Korea and Japan. While there will no doubt be blips along the way, the metals demand of these countries will be very large over the coming years as they develop new, or replace aging infrastructure.

With its extraordinary technical potential, and at a time of rapidly increasing shipping costs, the Philippines is especially attractive as a source of copper and nickel for the region. On our projects we have at least ten, and probably more, undrilled porphyry copper-gold targets (large tonnage, potentially bulk mineable copper-gold deposits); any one of these prospects has the potential to be a company builder for Mindoro. We also have extensive nickel-laterite prospects, adding even more depth and diversity to our portfolio.

PHILIPPINE COPPER-GOLD SYSTEMS: A TELESCOPING OF EPITHERMAL AND PORPHYRY SYSTEMS

A major technical attraction of Philippine gold-copper systems, potentially with major positive implications for Mindoro, is the common telescoping together of the high-level, epithermal gold-silver deposits and the related porphyry copper-gold systems below. Frequently the two deposit types occur within a few hundred meters of each other. This means we can be

"...our biggest story is yet to emerge; and that is the copper story."

Tony Climie, President and CEO

exploring an epithermal gold prospect and find ourselves, at shallow depth, in a major porphyry copper-gold system. Indeed, many of our gold prospects have associated porphyry copper-gold targets.

LOBO PROJECT- A GOLD DISCOVERY AND MANY UNTESTED PROSPECTS

During the course of the past year, we discovered and drilled-out a significant, near-surface gold resource at Southwest Breccia and, in doing so, obtained some excellent drill intersections: e.g. 15 m at 9.63 g/t gold, 20 m at 9.47 g/t gold and 15.3 m at 7.75 g/t gold; an independent gold resource evaluation has been commissioned. Mineralization is open to depth and to the south. Southwest Breccia is typical of epithermal ore-shoots occurring along a mineralized vein structure, and we expect to discover many more such ore-shoots along the 5-7 km of epithermal vein breccia trends at Lobo. We have now commenced drilling other epithermal gold prospects at Lobo and are preparing to drill-test several strong porphyry copper-gold targets.

ARCHANGEL - A SUBSTANTIAL GOLD RESOURCE WITH GREAT UPSIDE AND A VERY LARGE COPPER-GOLD SYSTEM

We continued with the assessment of the open-pit, heap-leach potential of the near-surface Kay Tanda inferred resource of 370,000 ounces of gold and 1,300,000 ounces silver; this is open to extension. Preliminary metallurgical test results were encouraging, and we are embarking on further metallurgical testing. Semi-detailed geological and geochemical surveys have shown that the Kay Tanda is a

small part of a much larger gold-silver system. We have obtained excellent gold-silver results from trenches within a target area that now extends over at least 5 km by 1 km. Drilling, with the objective of expanding the current resource, is planned over the coming year.

At lower elevations there is strong geological and geochemical evidence of a large underlying porphyry copper-gold system, or, more likely, a cluster of porphyries. A high-priority for the coming year is to advance these porphyry copper-gold targets to the drill stage.

In addition to the Lobo and Archangel Projects, we have 12,000 ha of tenement applications/acquisitions in the major Batangas copper-gold belt to explore, and these include many known gold and copper-gold prospects.

SURIGAO PROJECTS – EXCITING PROJECTS AND \$2 MILLION IN JOINT VENTURE FUNDING

At the time of writing, a joint venture agreement with Panoro Minerals was being concluded whereby Panoro can earn a 40% interest in the 24,000 ha of our Surigao Gold District projects by spending \$2 million over 4 years. With the two major Anglo/Philex copper-gold discoveries of Boyongan and Bayugo, the Surigao District is set to become one of the most important porphyry copper-gold exploration districts anywhere. We have been exploring the district since 1997 and have a very strong portfolio of gold and porphyry copper-gold targets. The porphyry copper-gold prospect at Tapian San Francisco is especially exciting, and the joint venture will quickly advance this to the drill stage this year. In addition, we also have extensive nickel-cobalt laterite prospects on the Surigao Projects, for which we have expressions of interest for a joint venture.

TELLING THE MINDORO STORY

Since we have now advanced our story to the stage where we can actively take it to the investment community, we recently retained Ascenta Capital Partners Inc. of Vancouver to provide investor relations and financial communications services. We have also embarked on an aggressive campaign, involving management and the Board of Directors, to take our story to the larger financial centers.

OBJECTIVES – WE BELIEVE ARE ATTAINABLE

Our objectives over the coming year are to reach 1,000,000 ounces in gold resources, and drill a discovery hole into at least one porphyry copper-gold deposit.

THANKS

My thanks to Penny Gould, Gerhard Kirchner, and my dedicated Filipino staff for their hard work and contributions over the past year. Thanks also to our loyal and supportive shareholders.



Tony Climie, President and CEO



LOBO PROJECT

AREA AND LOCATION Mineral Production Sharing Agreement (MPSA) covers 1,163 ha in Batangas Province, Southern Luzon, Philippines. Large new landholdings have been applied for, and acquired via option arrangements, adjacent to Lobo (see Batangas Projects, page 5).

TENEMENT MPSA granted by the Department of Environment and Natural Resources on November 21, 2002.

OWNERSHIP Mindoro may earn a 75% interest in the Batangas Projects (which include Lobo, Archangel and New Acquisitions) from a private Philippines company (Egerton Gold Philippines Inc.) through phased exploration expenditures and share tranches.

GEOLOGY AND MINERALIZATION Geology consists of hydrothermally altered volcanics intruded by hornblende porphyry intrusions, and overlain in places by younger cover volcanics and limestone. Seven circular magnetic anomalies are interpreted as intrusions at unknown depths.

Reconnaissance work has outlined from 5 to 7 km of northeast-trending epithermal vein/breccia trends (see Lobo Compilation, page 6). Mineralization along these occurs as both low-sulphidation (gold) and high-sulphidation (copper-silver with lesser gold) ore-shoots. Two such ore-shoots are Southwest Breccia, where Mindoro has drill-defined a significant near-surface gold resource (see below), and the old Lobo Mine. High gold-copper-silver values occur in a number of areas along these trends (shown as prospects on the Lobo Compilation), and are believed to reflect ore-shoots exposed at surface. Many ore-shoots will not be at the present erosion level and will be blind at depth. Extensive areas of silica cap have been mapped which represent the un-eroded tops of epithermal mineralization, and which have high potential for mineralization beneath.

SOUTHWEST BRECCIA: NEAR-SURFACE GOLD

RESOURCE OUTLINED During the past year Mindoro carried out approximately 2,000 meters (m) of drilling in 28 drill holes, mostly on Southwest Breccia, with excellent results, as shown in the table on page 8. The ore-shoot was drilled out to a down-dip depth of approximately 160 meters, where it is still open. Mineralization has been closed off to the northeast but

appears to be open to the southwest, where it may connect with the Japanese Tunnel Prospect. 330 meters north of Southwest Breccia, the Acacia ore-shoot was recently discovered and intersected in a step-out drill hole (LB-27). Acacia will be drill-evaluated at a later date.

Cross section 10170N through the central part of Southwest Breccia is shown on page 7. Strong gold mineralization extends from a trench at surface for 160 meters down-dip. Significant drill results appear in the accompanying table. At the time of writing, an independent consultant has been commissioned to perform a gold resource calculation. The man-portable drill rig has reached the limit of its depth capacity and deeper drill-evaluation of the ore-shoot will be carried out by a larger drill rig.

LOBO MINE: REMAINING RESOURCES The Lobo Mine operated between 1966 and 1969, with underground production from three levels on a high-sulphidation copper-silver ore-shoot over a vertical range of 50 m and 350 m horizontal extent. Copper head-grade was reported as 2.67%. Mining ceased due to economic factors at that time. Despite reported high gold grades in places, gold was not a significant component due to the prevailing \$30 per ounce gold price. The Philippines Mines and Geosciences Bureau reported (1986) a remaining mining reserve of 90,700 tonnes at a high grade of 20.5 grams per tonne (g/t) gold (60,000 contained ounces), believed to be a separate, low-sulphidation ore-shoot in the West Drift area (see Lobo Compilation). It is unlikely that this reserve figure would meet current ore reserve standards, but nevertheless points to the potential occurrence of significant resources. At the time of writing, drilling had commenced at West Drift.

OTHER EPITHERMAL PROSPECTS Other epithermal prospects, which represent targets for future drill testing, include Far Northeast (float sample assayed 1,792 g/t silver and 8.68% copper), Calumpang (float sample gave 1.92 g/t gold), Balisong (copper-stained quartz-barite float boulders), and Camo (channel sample assayed 9 m of 1.45 g/t gold, 488 g/t silver and 1.07% copper).

PORPHYRY COPPER-GOLD TARGETS Epithermal gold deposits in the Philippines are commonly underlain in close

proximity by porphyry copper-gold mineralized intrusions, which are often associated with magnetic anomalies. A previous (1996) aeromagnetic survey over the region defined a cluster of seven anomalies at Lobo. A geophysical interpretation interpreted these as probably being due to magnetic intrusives. Two are associated with a potassic anomaly, and were described as having a good chance of being associated with porphyry mineralization.

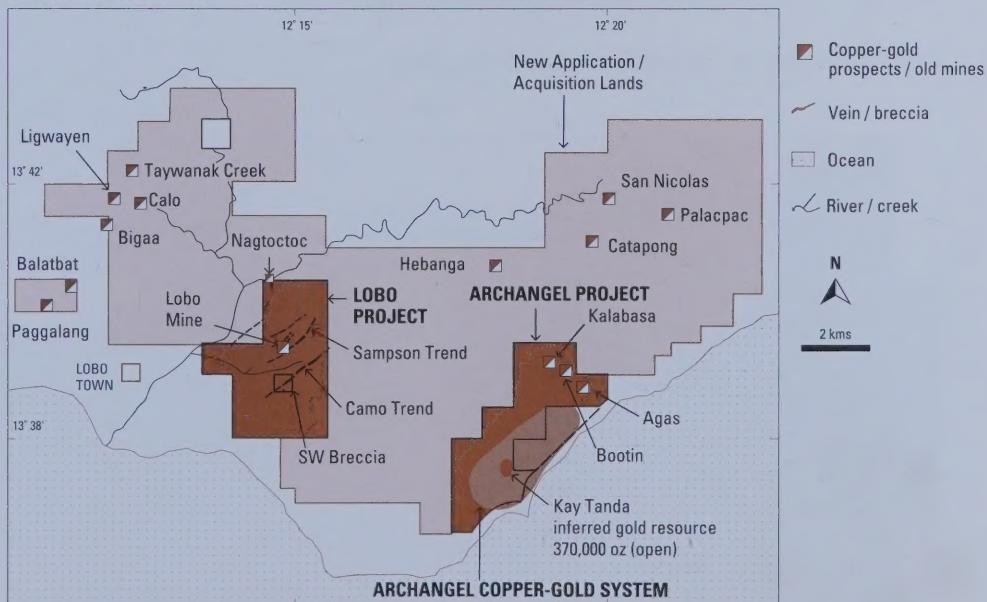
A recent ground magnetic survey over part of Lobo defined a prominent anomaly, approximately coincident with the two latter airborne anomalies, extending over an area of about 600 m by 150 m. Modeling indicates its depth is approximately 100 m. A second magnetic anomaly in the northeast of the current survey area has been only partially defined to date.

The anomalies are interpreted as potential porphyry copper-gold systems and are high priority drill targets. The accompanying cross section (page 6) shows the interpreted relationship between one of the porphyry copper-gold targets and the adjacent epithermal vein/breccia trends.

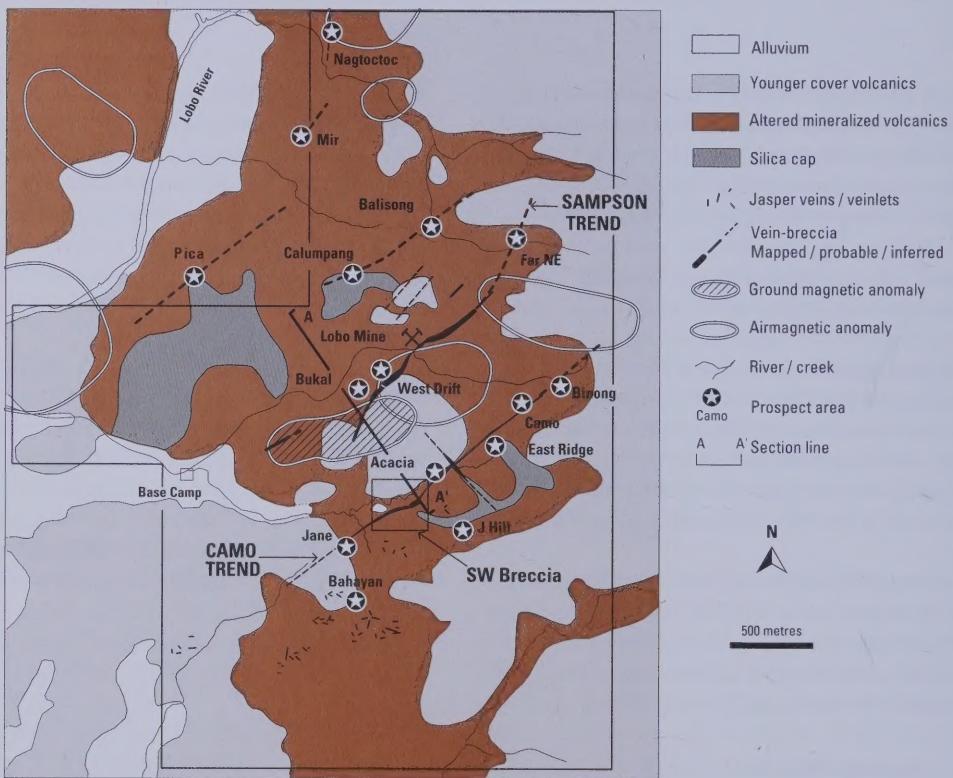
POTENTIAL In addition to the gold resources drilled out at Southwest Breccia, and the reported gold resources at the old Lobo Mine there is extremely high potential to discover and define other ore-shoots along the 5-7 km of epithermal vein/breccia trends at Lobo. The magnetic anomalies, extensively-altered volcanics and presence of high sulphidation mineralization in places, confirming a magmatic source below, indicate very high potential for porphyry copper-gold deposits at depth.

PLANS Plans include completing an independent resource calculation of the gold resource in the Southwest Breccia ore-shoot, drill-evaluation of the reported 20 g/t gold resource at West Drift, drill testing of the multiple prospects along 5-7 km of epithermal vein/breccia trends, continued geophysics (magnetics and IP) over airborne magnetic targets to define porphyry copper-gold targets, and drill-testing of the porphyry copper-gold targets.

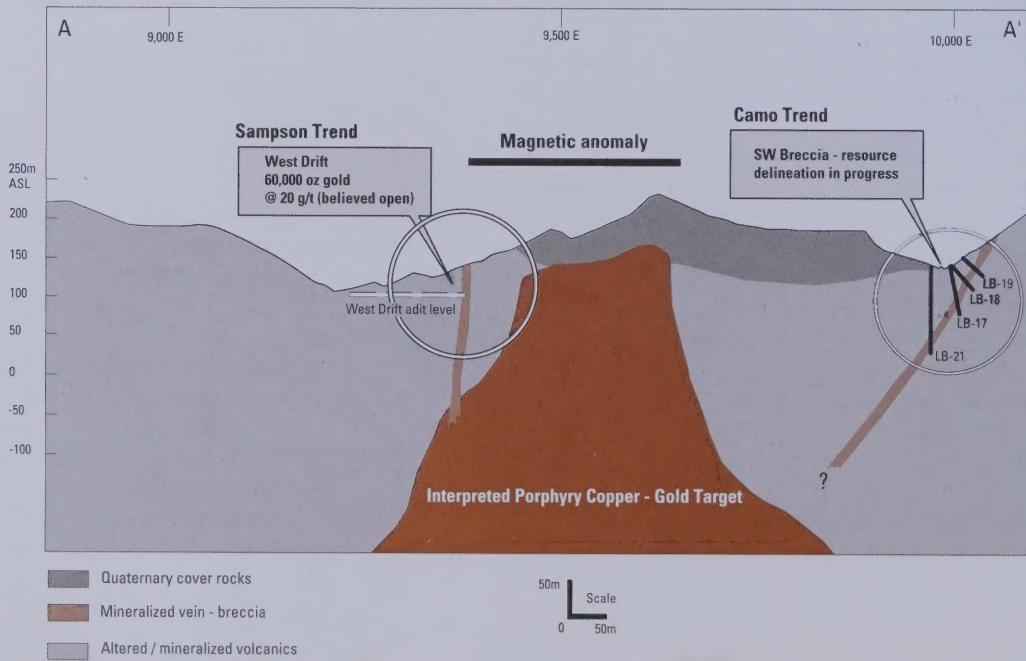
BATANGAS PROJECTS: Location



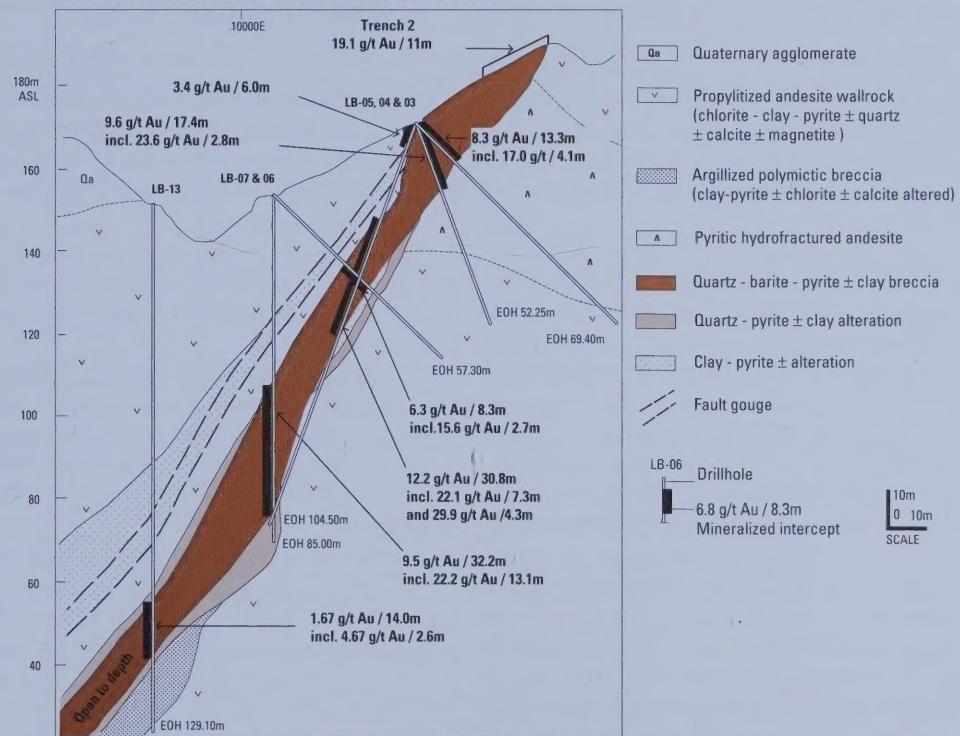
LOBO PROJECT: Compilation



LOBO PROJECT: West Drift - SW Breccia Interpreted Section 10,200 N



LOBO PROJECT: SW Breccia Zone Cross Section 10170 N



DRILL RESULTS, SW BRECCIA - LOBO PROJECT, 2003/2004

DRILL HOLE	From (m)	To (m)	True Width (m)	Gold (g/t)	Zone
LB-01	8.20	9.10	0.50	2.84	SW Breccia
LB-02		No significant mineralization	—	—	SW Breccia
LB-03	—	13.30	13.00	8.32	SW Breccia
Including	2.20	6.30	4.10	17.06	SW Breccia
LB-04	0.50	17.85	15.00	9.62	SW Breccia
Including	13.30	16.15	2.46	23.56	SW Breccia
LB-05	—	6.00	1.56	3.42	SW Breccia
Including	24.50	55.30	8.00	12.22	SW Breccia
Including	33.95	38.25	1.12	26.61	SW Breccia
LB-06	24.00	32.30	8.00	6.28	SW Breccia
Including	29.60	32.30	2.60	15.63	SW Breccia
LB-07	46.10	78.30	20.00	9.47	SW Breccia
Including	69.70	76.05	4.00	35.98	SW Breccia
LB-08	30.40	33.90	3.50	*3.18	Japanese Tunnel
Including	30.40	32.10	1.70	*5.37	Japanese Tunnel
Including	42.05	52.80	8.50	1.00	Japanese Tunnel
LB-09	34.50	38.60	2.50	*3.33	Japanese Tunnel
Including	36.70	38.60	1.16	*5.85	Japanese Tunnel
LB-10	23.00	26.40	3.40	5.11	SW Breccia
LB-11	46.90	53.35	3.50	1.10	SW Breccia
Including	46.90	50.10	1.74	1.39	SW Breccia
LB-12		No significant mineralization	—	—	SW Breccia
LB-13	96.00	110.00	8.62	1.67	SW Breccia
Including	103.50	106.10	1.60	4.67	SW Breccia
LB-14	47.40	59.45	7.50	15.71	SW Breccia
Including	51.85	57.60	3.58	24.32	SW Breccia
LB-15	17.00	31.60	14.60	6.52	SW Breccia
Including	23.40	31.60	8.20	10.10	SW Breccia
LB-16	59.60	67.90	2.33	0.41	SW Breccia
Including	59.60	61.40	0.51	1.16	SW Breccia
Including	84.80	96.40	3.25	0.40	SW Breccia
LB-17	35.10	44.55	3.53	8.29	SW Breccia
Including	36.20	42.35	2.30	12.46	SW Breccia
LB-18	21.00	27.10	5.73	5.74	SW Breccia
Including	23.00	24.90	1.78	19.80	SW Breccia
LB-19	18.70	21.00	2.30	3.50	SW Breccia
LB-20	6.10	28.40	15.00	5.30	SW Breccia
Including	12.40	16.50	2.76	11.43	SW Breccia
LB-21	93.90	101.20	6.00	0.47	SW Breccia
LB-22	24.55	26.40	1.85	0.84	SW Breccia
LB-23		No significant mineralization	—	—	SW Breccia
LB-24	4.80	21.10	15.32	7.75	SW Breccia
Including	14.05	21.10	6.63	16.49	SW Breccia
LB-25	39.60	95.80	14.05	4.24	SW Breccia
Including	70.00	72.75	0.69	*8.63	SW Breccia
LB-26		No significant mineralization	—	—	SW Breccia
LB-27	10.00	14.80	?4.80	0.90	Acacia
Including	32.65	39.95	?7.30	1.01	Acacia
Including	38.00	39.95	?1.95	*3.30	Acacia

Note: Gold equivalents are calculated based on US\$ 400/oz for gold, US\$ 6/oz for silver and US\$ 1.00/lb for copper. Gold equivalents do not infer that metal processing economics for gold, silver and copper are the same, but are intended to convey only the approximate relative values of the various metal intercepts assuming a 100% recovery for all metals.

* Gold equivalent

? True width uncertain- LB27



ARCHANGEL PROJECT

AREA AND LOCATION The granted MPSA covers 1,011 ha in Batangas Province, Southern Luzon, Philippines. Large landholdings have been applied for, and acquired via option arrangements, adjacent to Archangel (see Batangas Project, page 5).

TENEMENT MPSA granted by the Department of Environment and Natural Resources on November 21, 2002.

OWNERSHIP Mindoro may earn a 75% interest in the Batangas Projects (which include Lobo, Archangel and New Acquisitions) from a private Philippines company (Egerton Gold Philippines Inc.) through phased exploration expenditures and share tranches.

GEOLOGY AND MINERALIZATION The Archangel Project covers a strong and extensive gold-copper system 5 km southeast of the Lobo Project. Geology consists of strongly altered volcanics intruded by andesitic and dacitic intrusives, and overlain by younger cover volcanics to the northwest.

The Chinese and Spanish mined copper and gold at Archangel in earlier centuries, and the Japanese carried out tunneling and other investigations for copper potential during World War 2. Western Mining Corporation of Australia defined strong copper soil anomalies over the Balibago Prospect in 1987-1989, but focused on the gold potential of Kay Tanda and Pulang Lupa (see Archangel Compilation, page 11). Chase Minerals, in alliance with BHP Minerals, further drill-evaluated this gold potential in 1995-1998. Philex Mining Corporation held the ground immediately to the north of Kay Tanda.

Mindoro (with Egerton Gold), through the acquisition of the Philex ground, and adjacent lands, is the first company to put the entire gold-copper system together in one land package. Work is in the very early stages of defining and evaluating this very large mineral system. Altered and mineralized volcanic rocks, and associated high-level intrusives, have been reconnaissance-mapped over 5-6 km along strike, and are still open to the northeast and southwest. The altered and mineralized rocks average about 1.5 km wide before extending under younger volcanic cover to the northwest.

Epithermal gold-silver mineralization occurs extensively at higher elevations whereas an underlying porphyry copper-gold system has been exposed by erosion in a number of places (see Archangel-Longitudinal Section Interpretation, page 11).

EPITHERMAL GOLD-SILVER SYSTEM Epithermal gold-silver mineralization is associated with quartz stock-working of varying intensity, and massive replacement quartz. It occurs at higher elevations and is associated with gold-in-soil anomalies that extend over at least 4 by 1 km. Mineralization has been traced by geological mapping and reconnaissance rock sampling, from the Pulang Lupa area (trench channel sample gave 15 m of 3.18 g/t gold and 63.54 g/t silver), through the Kay Tanda resource area (inferred resource of 370,000 ounces gold and 1,300,000 ounces silver), to South Lumbangan (trench channel sample gave 20 m of 2.66 g/t gold and 46 g/t silver), a distance of 2 km. Mineralization appears to be open to the northeast and northwest. At the Marita Prospect, 3 km northeast of Pulang Lupa, a quartz stock-worked float boulder assayed 9.92 g/t gold (see Archangel Compilation). However, most work to date has been restricted to Kay Tanda.

Only a small part of the system has been tested by the previous drilling, and this drilling was focused on Kay Tanda. An independent resource study based on the past drill results was commissioned in 2002 by Mindoro. This estimated an inferred resource of about 17,000,000 tonnes of mineralized material at 0.68 g/t gold and 2.48 g/t silver, containing 370,000 ozs gold and 1,300,000 ozs silver. Since the mineralization is near-surface, and in the grade ranges being heap-leached elsewhere in the world, Mindoro has commenced an evaluation of the open-pit, heap-leach potential of Kay Tanda and its extensions. Preliminary metallurgical test work was recently carried out and results have been largely positive. Further, more-detailed metallurgical test-work is being undertaken.

Drilling at Kay Tanda was wide-spaced, with most holes 200 to 300 meters apart. Higher grade intersections, which have not yet been drilled off, included hole CA-02 with 8.6 g/t gold over 6 m and CA-09, more than 200 m distant, with 7 g/t gold

over 2 m. The zones of internal, higher-grade mineralization will be further evaluated.

PORPHYRY COPPER-GOLD ZONE At lower elevations, reconnaissance work has defined very extensive porphyry copper-gold related alteration (sericite-clay-chlorite-quartz, phyllitic and propylitic), over an area of at least 3 km by 1 to 1.5 km wide, which appears to be open in all directions. This is covered by younger rocks in the northwest, and is capped by the related epithermal gold-silver system. Copper oxide showings are present in at least six widely-distributed locations. For example at Balibago, a 3 m trench sample gave 5.58% copper, and at South Lumbangan, 2 km to the northeast, a 5 m trench sample of quartz stock-worked material assayed 3.22% copper and 4% zinc. Extensive and strong copper-in-soil anomalies are associated with the alteration (see Archangel-Longitudinal Section Interpretation).

POTENTIAL Extent of the soil geochemical anomalies and quartz-stockwork alteration suggests very high potential to substantially increase the gold resource in the Kay Tanda

area, which represents a small part of the overall gold-silver system. Potential for high-grade, internal gold zones is also high. The magnitude and extent of the mineral system at Archangel suggest the underlying porphyry copper-gold system could be of considerable interest.

PLANS For the gold-silver system, plans include continuing geological and geochemical work, geophysical surveys (magnetics and resistivity), continued metallurgical test work, scout drilling of gold-silver targets in 2004, and resource delineation drilling in 2005. For the porphyry copper-gold system, geological and geophysical surveys are planned in 2004, with drilling in 2005.

NEW ACQUISITIONS-BATANGAS

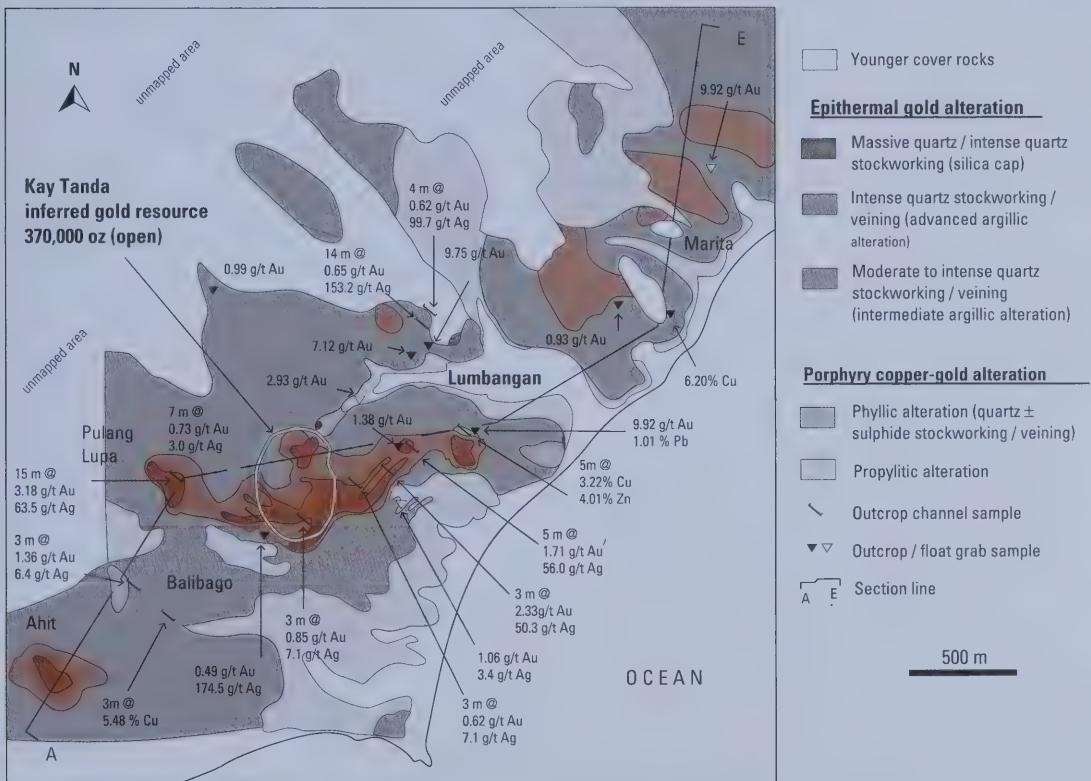
Surrounding, and adjacent to the Lobo and Archangel Projects an additional 12,200 ha of lands have been applied for, or optioned, bringing the total land holdings in this highly-mineralized copper-gold belt to 14,400 ha (see Batangas Project, page 5).

At least 10 known gold and gold-copper prospects occur on this new ground. Only preliminary reconnaissance work has

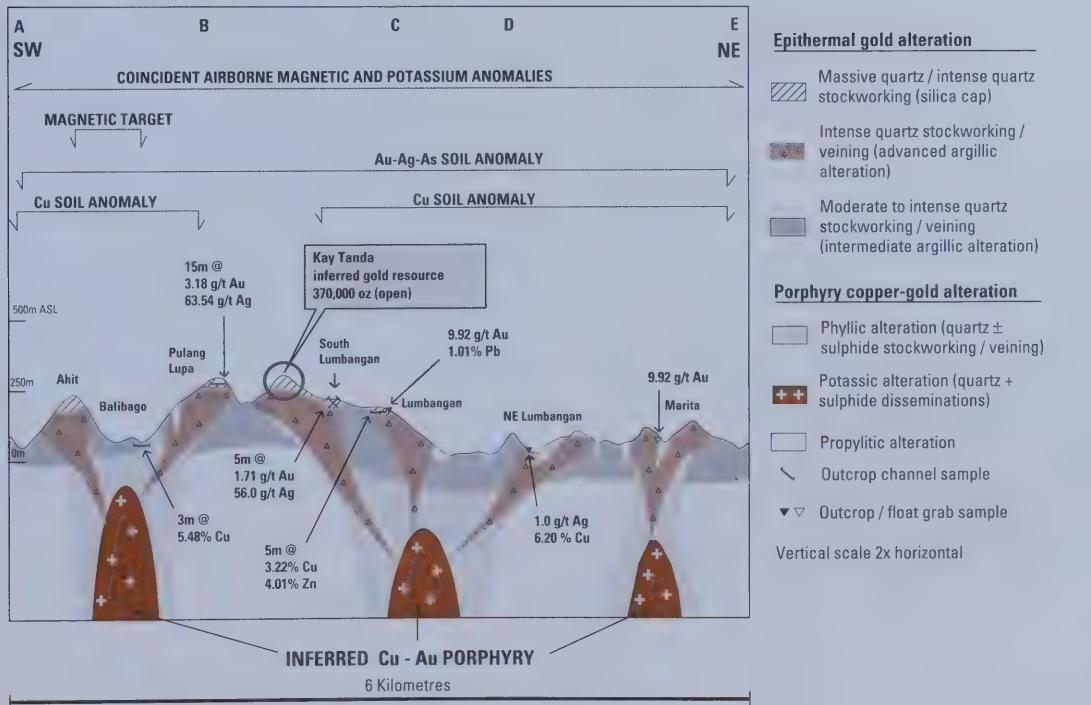
been carried out to date, but mineralization styles identified include high-sulphidation epithermal, skarn and porphyry copper-gold related. Reconnaissance and semi-detailed work is planned for 2004 with scout drilling of targets in 2005.



ARCHANGEL PROJECT: Compilation



ARCHANGEL PROJECT: Longitudinal Section Interpretation



PAN DE AZUCAR PROJECT



AREA AND LOCATION MPSA covers 535 ha on Pan de Azucar Island and adjacent Panay Island, Philippines.

TENEMENT MPSA was approved by the Department of Environment and Natural Resources on May 20, 1999.

OWNERSHIP Under a 1997 agreement with a private Philippines company, Minimax Mineral Exploration Corporation (Minimax), Mindoro may earn a 75% interest in the Pan de Azucar Project through phased exploration expenditures and share tranches. Mindoro has earned a 40% interest to date.

GEOLGY AND MINERALIZATION The Pan de Azucar Prospect is located within a collapse caldera structure, where the dacitic-andesitic caldera-fill package hosts pervasive replacement and structurally-controlled alteration and mineralization. Dacitic units are preferred hosts to mineralization. An epithermal, massive pyritic-sulphide deposit, with low to moderate grade copper-gold-zinc-silver mineralization was discovered by drilling in 2001 (Valderama Zone), and a porphyry copper-gold target located in 2002 (Asparin Hill).

VALDERAMA ZONE A 2001 scout drill program (1,041 m) encountered promising copper, gold, silver and zinc values at shallow depths; e.g. drill hole PDA-03 with 37.1 m of 0.8% copper, 1.87 g/t gold, and PDA-08 with 40.25 m of 0.69% copper, 1.21 g/t gold, 4.34 g/t silver, and 0.63% zinc. A Phase Two drill program in 2002 (431 m) encountered grades of lower tenor, indicating the copper-gold-silver-zinc mineralization is irregular.

Although the Valderama Zone is still under-drilled and open in several directions, the Phase 2 results have reduced the potential for an economic copper, gold, silver, zinc resource. However, the zone is open to the north, for a further 250-300 m, to the property boundary, where gossanous outcrops are present.

Based on drilling to date, the Valderama Zone averages between 36% and 40% sulphur. Mineralization is near-surface, and a few hundred meters from tide water. It may, therefore, have potential for a low-cost sulphur source for sulphuric acid production for treatment of the numerous lateritic nickel deposits expected to go into production in the Philippines and elsewhere in the region, and for fertilizer production. Mindoro's main priority, however, will be other copper-gold targets on the Pan de Azucar Project, and

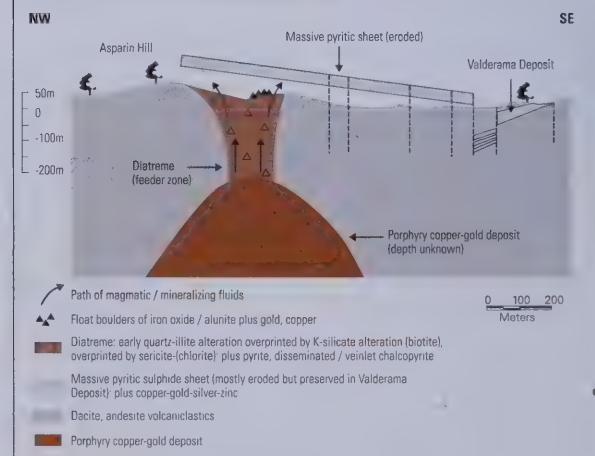
Mindoro projects elsewhere. The Valderama epithermal replacement mineralization is probably the high-level reflection of an adjacent porphyry copper-gold system.

ASPARIN HILL TARGET A shallow (45 m) drill hole (PDA-16) was completed on the Asparin Hill target, approximately 700 m west of the Valderama Zone, to test an area of gossanous quartz-alunite boulders, the strongest geochemical anomalies on the project, a coincident circular topographic depression (300 m in diameter), and a broad magnetic anomaly. This intersected dacitic rocks with intense porphyry-related alteration (including biotite alteration) plus disseminated and veinlet chalcopyrite mineralization. Both are characteristic of porphyry copper systems.

POTENTIAL Asparin Hill is considered highly prospective for porphyry copper-gold style mineralization.

PLANS Future work will focus on the Asparin Hill porphyry copper-gold target and a partner will be sought to fund this work.

PAN DE AZUCAR PROJECT: Mineralization Model



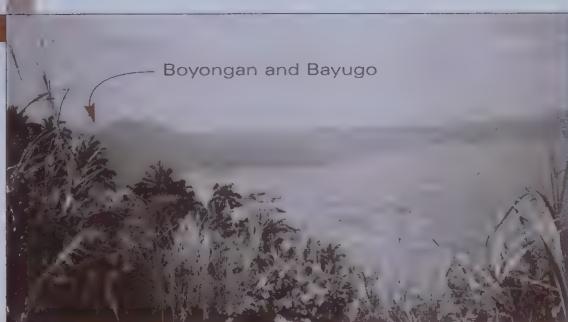


SURIGAO PROJECTS AND THE BOYONGAN / BAYUGO DISCOVERIES

In September, 2000, the Philex Gold / Anglo American joint venture announced spectacular drill results at their Boyongan prospect in the Surigao Gold District. Subsequent drilling has outlined a major porphyry copper-gold deposit. Philex has announced that a second porphyry system has been discovered to the northwest of Boyongan, known as Bayugo, and, possibly, a third porphyry system to the southwest. Given the significance of the Boyongan / Bayugo discoveries, it is likely the Surigao Gold District will undergo extensive exploration for new porphyry copper-gold deposits, as well as for epithermal gold deposits. Mindoro believes the district will become a major copper-gold camp.

Mindoro already had four projects in the district which it had been exploring since 1997: the Mat-I, Tapian San Francisco, Tapian Main and Agata Projects. On announcement of the Boyongan discovery hole, Mindoro immediately made application for an additional 15,900 hectares of land, to bring total holdings and application lands to approximately 24,000 hectares.

Mindoro is in the process of finalizing a joint venture with Panoro Minerals Ltd. whereby Panoro will spend \$2 million to earn a 40% interest in the Surigao Projects. Under an amending agreement with Minimax (underlying title holder), both Mindoro and Panoro could each attain a 42.5% interest at feasibility. The following table / map summarizes results to date (see Surigao and Mindoro Projects, page 14).



View of Boyongan and Bayugo discoveries from Tapian San Francisco porphyry copper-gold prospect.

MAT-I

- Gold and copper soil anomalies.

TAPIAN SAN FRANCISCO

- Gold Hill Prospect: very strong porphyry copper-gold prospect on major structure extending from proximity of Anglo/Philex Boyongan/Baygo discoveries 10 km to northeast;
- Peripheral gold prospects.

TAPIAN MAIN

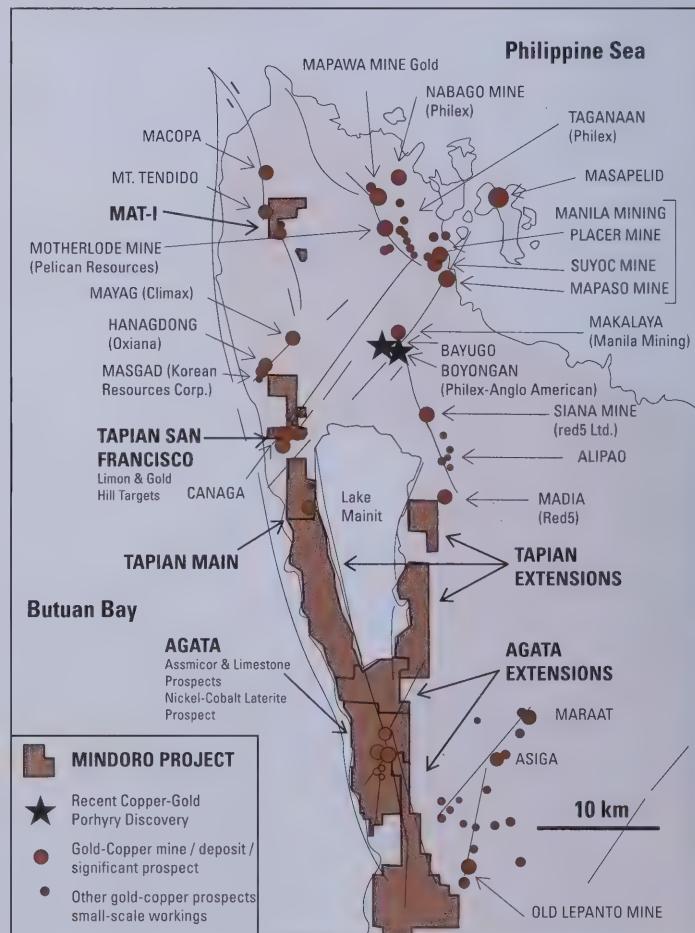
- Epithermal gold prospects; old gold mine with remaining resources.
- Copper soil anomalies.

AGATA

- Assmicor Oxide Prospect: intrusive-hosted, near-surface gold mineralization (reconnaissance drilling results to 24 meters of 1.4 g/t gold); at drill resource delineation stage.
- Assmicor Porphyry Copper-Gold Prospect: geological and geochemical indications of a porphyry copper-gold system immediately east of Assmicor Oxide and Limestone Prospects.
- Limestone Prospect: Carlin-style, replacement mineralization in silty limestones (two reconnaissance drill holes: 7 meters of 2.7 g/t and 8 meters of 2.2 g/t gold); at drill resource delineation stage.
- Tubay Copper Target: large copper soil anomaly in volcanics at major structural intersection; possible porphyry copper (-gold) target.
- Nickel-cobalt Laterite Prospect: economically interesting values obtained from preliminary work.

NEW ACQUISITION LANDS

- As yet unexplored by Mindoro; proximity to many known prospects, including Red5 porphyry drill targets.

SURIGAO AND MINDORO PROJECTS

TAPIAN SAN FRANCISCO PROJECT



AREA AND LOCATION Exploration Permit (EP) and MPSA applications cover approximately 1,100 ha in the Surigao Gold District (see Surigao-Mindoro Projects).

TENEMENT EP cleared by Mines Department head office, awaiting registration in Surigao Mines Department regional office. A small portion of the tenement was applied for under an MPSA.

OWNERSHIP Mindoro may earn a 75% interest from Minimax through phased exploration expenditures.

GEOLGY AND MINERALIZATION Geology consists of volcanics, overlying limestone and ultramafics, all intruded by intermediate intrusives. Hydrothermal alteration is extensive and pervasive. Alteration assemblages are propylitic, phyllitic, calc-silicate, argillic and potassic. Hydrothermal breccias are common. Therefore, alteration characteristic of porphyry copper-gold systems is present. Abundant hydrothermal pyrite and magnetite are also present. Trace to 2% chalcopyrite occurs in 4 of 14 rock samples submitted for petrologic studies.

GOLD HILL PROSPECT Soil geochemistry surveys (1,063 samples) by Mindoro in 1997 defined strong, northeast-trending copper anomalies (greater than 200 ppm copper and up to 1,700 ppm) semi-continuously over an area of 1.5 km by 1.0 km, termed the Gold Hill Prospect. There are two coincident gold anomalies (greater than 50 ppb and up to 10,100 ppb), extending over 1.0 km by 0.4 km, and 0.4 km by 0.4 km. Systematic rock sampling of abundant old gold mines and workings in the area has not yet been undertaken. However 54 rock samples, mostly grabs of float and outcrop varied from 0.01 to 16.2 g/t gold (average 0.4 g/t). Copper mineralization was visually and petrologically identified in numerous locations, however, copper analyses were not performed.

RIVERSIDE PROSPECT 18 stream sediments collected at Riverside Prospect, approximately 800 m to the north of Gold Hill, gave strongly anomalous results for gold (from 5 to 1,043 ppb gold, average 136 ppb), copper (50 to 133 ppm), and zinc (41 to 113 ppm). These define a broad anomalous zone of coincident gold, copper, zinc and arsenic anomalies extending

over approximately 1.75 km by 1.3 km. No soil geochemistry, or systematic geological work has yet been performed over this prospect. The anomaly trends southwest towards Gold Hill, and is interpreted to be part of the same, large mineralization system.

STRUCTURAL CONTROLS OF BOYONGAN AND TAPIAN SAN FRANCISCO Mineralization in the District is controlled by the intersection of northeast-southwest trending cross-faults with splays of the northerly Philippine Fault System. A major northeast-southwest trending fault bounds the Boyongan/Bayugo discoveries along their northern side and extends directly into the Tapian San Francisco Project, where it controls alteration and mineralization.

POTENTIAL The abundant Gold Hill gold prospects are interpreted as epithermal to mesothermal occurrences related to an underlying porphyry mineralization system. In August 2003, an independent consultant, after completing a field evaluation of the Mindoro Surigao Projects, concluded that "Agata and Tapian San Francisco offer excellent potential for the discovery of copper-gold porphyry deposits and associated high level epithermal precious metal mineralization."

PLANS Under joint venture, gridding, geological work and IP surveys are planned to commence in the near future, followed by drill-testing of the porphyry copper-gold target.



TAPIAN MAIN PROJECT

AREA AND LOCATION Exploration Permit (EP) application covers 1,296 ha in the Surigao Gold District.

TENEMENT EP cleared by Mines Department head office, awaiting registration in Surigao Mines Department regional office.

OWNERSHIP Mindoro may earn a 75% interest from Minimax through phased exploration expenditures.

GEOLOGY AND MINERALIZATION Geology consists of greenschist overthrust by ultramafics, unconformably overlain by limestone and intruded by intermediate porphyries. High-level epithermal gold mineralization occurs as veins, stockworks and breccias at contacts between greenschist, ultramafic, limestone and intrusives. The principal areas of interest are Rosario and Samson Zones, as defined by greater than 100 ppb gold soil anomalies.

The Rosario Zone is about 500 by 200 m and open to the north. It includes extensive pre-World War 2 underground development of a vein system, which had a 100 ton per day

mill. The workings are inaccessible and production is unknown. Very incomplete pre-World War 2 records suggest grade was 8.3 g/t gold.

The Samson Zone is about 600 by 200 m. Encouraging gold values from rock sampling were obtained over widespread areas. Copper soil anomalies (greater than 150 ppm and up to 1,192 ppm) are associated with the Rosario and Samson zones. Significance is uncertain at this time.

POTENTIAL Extent of previous work on the Rosario Zone, prior to interruption by World War 2, suggests good remaining potential. Extent of mineralization in the Samson Zone, especially in the limestone, is of potential interest. Expected mineralization styles in both zones are epithermal veins, stockworks and breccias, as well as skarn and / or replacement mineralization in limestone. Porphyry copper-gold mineralization is possible at depth.

PLANS Under joint venture, gridding, geological work and IP surveys are planned, followed by drill-testing of targets.



AGATA PROJECT



AREA AND LOCATION MPSA covers 4,955 ha in the Surigao Gold District.

TENEMENT MPSA granted by Department of Environment and Natural Resources on June 17, 1999.

OWNERSHIP Mindoro may earn a 75% interest from Minimax through phased exploration expenditures and share tranches. Mindoro has earned 40% to date.

GEOLOGY AND MINERALIZATION Geology consists of greenschist overthrust by ultramafics, unconformably overlain by limestone and intruded by intermediate and alkaline intrusions. Early phyllitic alteration is overprinted by propylitic alteration in many areas. There are abundant gold prospects and anomalies related to the intrusives. Less than 20% of the project has been covered by geochemical surveys to date. Strong gold and copper in soil anomalies have been defined over 2 by 1 km, encompassing clusters of gold showings associated with the American Tunnels, Assmicor and Limestone Prospects.

Work has been focussed on the Assmicor and Limestone Prospects to date, where a reconnaissance drill program of 797 m was carried out in late 1999. Four mineralized

prospects have been defined to date: Assmicor Oxide (gold), Assmicor Porphyry (copper-gold), Limestone (gold), and Tubay (copper) Prospects.

ASSMICOR OXIDE PROSPECT During the 1980's, thousands of artisanal miners mined a saprolite (soil) horizon at Assmicor to shallow depths. In 1999, 7 of 8 drill holes intersected better than 0.5 g/t gold near surface in oxidized intrusives and dykes. The two best holes were Hole 5 with 1.1 g/t gold over 19 m and Hole 6 with 1.4 g/t gold over 24 m. The mineralization is open to the north and east.

ASSMICOR PORPHYRY PROSPECT Drill Hole 11 was drilled just to the east of the oxide mineralization, in overburden-covered river flats, and intersected, in addition to short intervals of 0.5 and 0.6 g/t gold, 0.7% copper over 2.5 m. Intrusive and dyke rocks exhibit strong chlorite-quartz-actinolite-clay-pyrite-(chalcopyrite) alteration, possibly indicating a porphyry copper-gold system is being approached to the east.

LIMESTONE PROSPECT At the Limestone Prospect, geology consists of silty limestone with strong gold in soil anomalies occurring in an area of approximately 600 by 500 m. Artisanal miners previously panned gold from the soils and mined gold



from shallow workings in the limestone. Holes 9 and 10 were drilled at the eastern edge of the soil anomalies and encountered 2.7 g/t gold and 2.2 g/t gold over 7 and 8 m respectively at shallow depths. Sections of mineralization were also encountered deeper in both holes. Mineralization resembles important limestone-hosted gold deposits in Nevada, U.S.A. Extensive soil anomalies and workings over a vertical range of 120 m above these two drill holes suggest good tonnage potential.

TUBAY TARGET A major cross-fault cuts a splay of the Philippines Fault near the Asiga / Tubay River junctions. An extensive copper in soil anomaly (greater than 200 ppm and up to 295 ppm) extends over 1,400 by approximately 400 m, and is open to the south. Several spot gold anomalies are associated. The anomalies occur in volcanic tuffs which are suspected to be intruded by intrusive rocks. No follow-up work has been carried out to date.

NICKEL-COBALT LATERITE PROSPECT A laterite with significant nickel-cobalt values is extensively developed in the ultra-mafics at Agata over an area of 11 square kilometers. Re-sampling of 5 old exploration pits returned an average of 0.72% nickel and 0.07% cobalt from an aggregate depth of 23 m. Best pit returned 0.83% nickel and 0.08% cobalt over

9 m. Assuming an average thickness of just 5 m, there is potential for 60 million tonnes of lateritic material. Mindoro has recently received an expression of interest from a company interested in a joint venture on the nickel-cobalt component of the Agata and other Surigao Projects. Talks are in progress at time of writing.

POTENTIAL Potentially economically interesting gold grades have been encountered in the Assmicor Oxide and Limestone Prospects, and both are at the resource delineation stage. They offer potential for open-pit, heap-leach gold deposits.

In August 2003, an independent consultant, after completing a field evaluation of the Mindoro Surigao Projects, concluded that "Agata and Tapian San Francisco offer excellent potential for the discovery of copper-gold porphyry deposits and associated high level epithermal precious metal mineralization." There is potential to define an extensive nickel-cobalt laterite deposit.

PLANS Under joint venture, gridding, geological work and IP surveys are planned, followed by drill-testing of targets. Continued drill evaluation of the Assmicor Oxide and Limestone Prospects is planned. Evaluation of the nickel-cobalt laterite prospect is planned.

MAT-I PROJECT



AREA AND LOCATION Mineral Production Sharing Agreement (MPSA) application covers 730 ha in the Surigao Gold District, Mindanao Island, Philippines (see Surigao-Mindoro Projects).

TENEMENT MPSA application is proceeding through approval process.

OWNERSHIP Mindoro may earn a 75% interest from Minimax through phased exploration expenditures.

GEOLOGY AND MINERALIZATION Geology consists of ultramafics, sediments and volcanic tuffs intruded by intermediate porphyry intrusives. The Mat-I area was an important artisanal gold mining area and thousands of miners won gold from alluvials as well as shallow, hard-rock workings. There are spectacular examples of high-grade epithermal veins. However, most of the highest potential ground was lost in land disputes to other parties.

Systematic geochemical surveys by Mindoro defined four moderate-order copper in soil anomalies (greater than 100 ppm and up to 268 ppm). Maximum dimension is approximately 2,000 by several hundred meters. Minor gold anomalies are associated, as well as very strong arsenic anomalies (to 1,520 ppm). Significance of the copper and arsenic anomalies is unknown.

POTENTIAL Although the best gold prospects have been excluded from the Mindoro ground, the strong arsenic anomalies may be the high level expression of gold occurrences below. Copper anomalies may reflect intrusive-related mineralization of potential interest.

PLANS Under joint venture, further geological investigations are planned.

NEW ACQUISITIONS- SURIGAO PROJECTS



The additional 16,000 ha of lands applied for have had, as yet, no systematic modern exploration. Once approvals are in place, reconnaissance investigations will commence. It is noted that the acquisitions give Mindoro a commanding land position in the Surigao Gold District. The new acquisitions are in close proximity to many known prospects, eg. the Tapian

Extension project is within a few tens of meters of a porphyry copper-gold target defined by Anglo, and being drilled by Red of Australia. The new acquisitions likely include epithermal gold, porphyry copper-gold, and nickel laterite prospects.

CORPORATE DIRECTORY

MANAGEMENT

Tony Climie, P.Geol., President & CEO
Penny Gould, Executive Vice President
and Corporate Secretary

DIRECTORS

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Tony Climie, B.Sc., (Hons.), P.Geol.
Gerhard F. Kirchner, Ph.D., P.Eng.
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BANKER

ATB Financial
17107 Stony Plain Road
Edmonton, Alberta, Canada, T5S 2M9

ANNUAL MEETING

The Annual meeting of the Shareholders will
be held:

DATE: June 24, 2004, at 10:00 am

PLACE: Ebony 1 Room, Best Western
Westwood Inn,
18035 Stony Plain Road,
Edmonton, Alberta, Canada

Shares Listed

TSX Venture Exchange

Trading Symbol

MIO

For additional corporate and project
information, visit the Mindoro website:

[HTTP://WWW.MINDORO.COM](http://WWW.MINDORO.COM)



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MINDORO

2003 FINANCIAL REPORT

PT 2



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MANAGEMENT'S DISCUSSION
AND ANALYSIS
Year Ended December 31, 2003



The following discussion should be read in conjunction with the accompanying financial statements and related notes.

OVERVIEW

Mindoro Resources Ltd., ("Mindoro" or "the Company") is a Canadian-based mineral exploration and development company holding interests in the Philippines. The primary corporate objective is the acquisition, exploration and, when successful, development and production of gold and gold-copper properties in the Asia-Pacific region. There is no commercial production from any mineral property in which Mindoro has an interest. There is no established source of revenue and the Company presently operates at a loss. All operations have been funded by equity subscriptions. Revenue for the current period was derived from interest income. All project expenditures are capitalized in deferred exploration where, upon development of an operating mine, these expenses can be recovered against income from operations. If the Company chooses to discontinue exploration activities on a particular property then the to-date expenses are written off against income.

OPERATING RESULTS

Interest income for the year ended December 31, 2003, was \$101 down from \$552 for the year ended December 31, 2002. Net loss of \$310,229 was higher than the net loss of \$241,588 in 2002; primarily attributable to increased general and administrative expenses and greater foreign exchange loss during 2003. Foreign exchange loss was \$38,727 for the year, compared to just \$5,489 in 2002.

Mindoro incurred \$271,603 in general and administrative expenses in 2003, compared to \$221,175 in 2002. The most significant increase occurred with consulting and professional fees, with \$54,048 in 2003, representing an increase of \$34,742 over 2002 fees of \$19,306. Additional increases occurred in advertising and promotion, at \$27,449 for the year, compared to \$22,260 in 2002; conferences and trade show related expenses of \$12,387 were up from \$5,469 in 2002; listing fees and shareholder communications increased to \$17,527 from \$12,993 in 2002; and administrative related expenses increased by \$6,937 to \$24,502 in 2003, from \$17,565 in 2002. Increases in general and administrative expenses, excluding professional and consulting fees, were

primarily related to increased marketing activities. Rent for 2003 dropped to \$10,068 from \$14,322 in 2002, as the Company was still responsible in 2002 for partial payment of the lease of its former office. Travel expenses were \$8,136 in 2003, an approximate 60% drop from 2002 travel expenses of \$19,879 which was primarily related to less international travel during the year.

LIQUIDITY AND CASH RESERVES

The Company continues to rely on raising capital in order to fund its ongoing operations. As of December 31, 2003, Mindoro's cash position was \$296,772; accounts receivable increased to \$61,698 from \$27,626 as of December 31, 2002; while Accounts Payable remained relatively unchanged, at \$146,023, compared to \$147,374 as of December 31, 2002.

The Company issued 61,922 Common Shares in January 2003, based on the market price of \$0.11 per share, to one director to settle an outstanding \$6,811 consulting fee payable liability. In July 2003, the Company further issued 272,726 Common Shares to two officers of the Company to settle a \$95,000 outstanding wages payable liability. The Common Shares were recorded at the market price of \$0.22 per share, for a total recorded value of \$60,000. The officers agreed to waive the remaining \$35,000 payable and this amount was included in the contributed surplus.

The Company completed one private placement on March 27, 2003, issuing 1,100,000 Units at a price of \$0.15 per share, for gross proceeds of \$150,000. Each Unit consisted of one Common Share and one-half Common Share Purchase Warrant. Each whole Purchase Warrant entitles the holder to acquire one Common Share at a price of \$0.30 until March 27, 2004, and thereafter at \$0.50 until expiry on March 27, 2005. During the year, 3,780,680 Common Share Purchase Warrants were exercised for proceeds of \$562,872.

Subsequent to December 31, 2003, the Company issued 500,000 Units at a price of \$0.30 per Unit for total proceeds of \$150,000. Each Unit consisted of one Common Share and one-half

Common Share Purchase Warrant. Each whole Common Share Purchase Warrant entitles the holder to acquire one Common Share at a price of \$0.60 until January 11, 2005. The Company paid the agent a 10% cash commission and 50,000 agent's warrants. The agent's warrants entitle the agent to acquire Units at \$0.30 per Unit until January 11, 2006.

In 2003, the net amount of \$378,292 was expended on Investing Activities, with \$372,148 spent on Exploration Activities in the Philippines. The majority of activity was on the Lobo Project, with \$281,574 in expenditures. Total amount of deferred exploration on existing properties as at December 31, 2003, is \$3,048,411.

OUTLOOK

Lobo Project

Work on Lobo this past year was highly encouraging. A successful 2,000 m drill program on

Lobo's South West Breccia prospect outlined a significant high-grade, near-surface gold zone. Drilling returned impressively high gold grades over good intersections, such as 9 g/t gold over 20 m (65 ft); and 5 g/t gold over 15 m (45 ft). These are true width intercepts and from fairly shallow drill holes. In all, 23 of 27 drill holes returned significant gold intercepts.

An independent resource calculation has been commissioned, and results will be reported when the calculation is complete.

South West Breccia comprises just a small part of the 7 km of mineralized vein breccia trends that Mindoro has identified so far on surface. We are optimistic that many more zones similar to South West Breccia will be identified during the coming year. The drill rig has been moved north of South West Breccia, into the West Drift area, and drilling is once again underway. Several strong porphyry targets have also been identified on Lobo and plans are being made to drill test these as well.

Archangel Project

An independent resource estimate calculated an inferred resource of 370,000 oz gold, at 0.68 g/t and 1,300,000 oz silver at Archangel's Kay Tanda

prospect; this is completely open to extension. Preliminary metallurgical tests were encouraging, warranting additional metallurgical testing. However, Kay Tanda is just a small part of a significantly larger gold-silver system; more recent work has extended the system to over 5 km along strike by 1 km wide. Plans are to expand the current inferred resource with additional drilling over the coming year. At lower elevations on Archangel, strong indications of a large underlying porphyry copper-gold system have also been identified. Additional work is still required to advance these porphyry targets, but they also comprise a high-priority drill target.

Surigao Gold District Projects

Mindoro is in the final stages of concluding a joint venture agreement with Panoro Minerals Ltd., whereby Panoro will fund \$2 million in exploration expenditures to earn 40% in all Mindoro's Surigao Projects. The Surigao Projects are comprised of the Tapian San Francisco, Tapian Main, Agata and Mat-I Projects, encompassing 24,000 ha. The Surigao Gold District has recently seen increased exploration activity, as Anglo-American has identified two large porphyry copper-gold discoveries in the Gold District and Australian junior Red5 is currently drilling another potentially significant porphyry copper-gold target located near the border of Red5 and Mindoro's Tapian Extension. Mindoro's own Tapian San Francisco also hosts a strong porphyry copper-gold prospect, and, upon signing of the Mindoro-Panoro joint venture agreement, an aggressive field program, leading to drilling, will commence.

Looking Forward

The Company's financial future continues to be dependent on new investment, but the outlook for exploration in the Philippines has never looked better. A supportive government regime, recent exploration successes leading to new gold and gold-copper discoveries, plus the growing demand for metals by China, Japan and Korea, are all culminating in a climate of anticipation and excitement not seen by the Pacific Ring of Fire's mining community for many years. Mindoro is well-positioned to take advantage of the emerging role the Philippines is poised to assume, as an important supplier of gold, copper and other base metals to the rest of the world.

Mindoro trades on the TSX Venture Exchange under the symbol MIO

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Auditors' Report

To the Shareholders
Mindoro Resources Ltd.

We have audited the consolidated balance sheets of Mindoro Resources Ltd. as at December 31, 2003 and 2002 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "Collins Barrow Calgary LLP"

CHARTERED ACCOUNTANTS

Calgary, Alberta
March 5, 2004

Mindoro Resources Ltd.
Consolidated Balance Sheets
December 31, 2003 and 2002

	2003	2002
Assets		
Current assets		
Cash	\$ 296,772	\$ 158,301
Accounts receivable	61,698	27,626
Prepaid expenses	<u>13,627</u>	<u>9,567</u>
	372,097	195,494
Royalty deposits (note 3)	25,110	28,086
Mineral properties and deferred costs (note 4)	3,048,411	2,423,263
Property and equipment (note 5)	<u>12,115</u>	<u>19,572</u>
	<u><u>\$ 3,457,733</u></u>	<u><u>\$ 2,666,415</u></u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 146,023</u>	<u>\$ 147,374</u>
Shareholders' Equity		
Share capital (note 6)	9,292,564	8,219,877
Contributed surplus (note 7)	147,511	117,300
Deficit	<u>(6,128,365)</u>	<u>(5,818,136)</u>
	<u><u>3,311,710</u></u>	<u><u>2,519,041</u></u>
	<u><u>\$ 3,457,733</u></u>	<u><u>\$ 2,666,415</u></u>

Approved by the Board,

"Roger D. Morton" , Director

"Norman R. Toreson" , Director

Mindoro Resources Ltd.
Consolidated Statements of Loss and Deficit
Years Ended December 31, 2003 and 2002

	2003	2002
Revenue		
Interest	\$ 101	\$ 552
Expenses		
Administration	2,011	1,878
Advertising and promotion	27,449	22,260
Communications	5,678	4,485
Conferences and trade shows	12,387	5,469
Consulting and professional fees	54,048	19,306
Listing fees and shareholder communications	17,527	12,993
Office	24,502	17,565
Printing	8,947	4,101
Rent	10,068	14,322
Salaries and benefits	87,249	89,350
Travel	8,136	19,879
Amortization	<u>13,601</u>	<u>9,567</u>
	<u>271,603</u>	<u>221,175</u>
Loss before other expenses	<u>(271,502)</u>	<u>(220,623)</u>
Other expenses		
Foreign exchange loss	(38,727)	(5,489)
Loss on disposition of subsidiaries (note 11)	<u>-</u>	<u>(15,476)</u>
	<u>(38,727)</u>	<u>(20,965)</u>
Net loss	(310,229)	(241,588)
Deficit, beginning of year	<u>(5,818,136)</u>	<u>(5,576,548)</u>
Deficit, end of year	<u>\$ (6,128,365)</u>	<u>\$ (5,818,136)</u>
Net loss per share (note 6[e])		
Basic and diluted	\$ (0.01)	\$ (0.01)

Mindoro Resources Ltd.
Consolidated Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Operating activities		
Net loss	\$ (310,229)	\$ (241,588)
Items not affecting cash		
Amortization	13,601	9,567
Loss on disposition of subsidiaries (note 11)	<u>-</u>	<u>15,476</u>
	(296,628)	(216,545)
Decrease (increase) in royalty deposits	2,976	(9,594)
Changes in non-cash working capital	<u>62,328</u>	<u>105,908</u>
	(231,324)	(120,231)
Financing activity		
Issuance of share capital, net of issuance costs	<u>748,087</u>	<u>368,950</u>
Investing activities		
Expenditures on mineral properties and deferred costs	(372,148)	(295,986)
Acquisition of property and equipment	(6,144)	(2,430)
Proceeds on disposition of subsidiaries (note 11)	<u>-</u>	<u>30,550</u>
	(378,292)	(267,866)
Cash inflow (outflow)	138,471	(19,147)
Cash, beginning of year	<u>158,301</u>	<u>177,448</u>
Cash, end of year	<u>\$ 296,772</u>	<u>\$ 158,301</u>
Supplemental cash flows information (note 9)		

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

1. Nature of operations and going concern

The Company was incorporated as Bond Resources Inc. under the Business Corporations Act of Alberta on July 12, 1994. On March 25, 1996, the Company changed its name to Mindoro Resources Ltd. The Company's principal activity is the acquisition, exploration and development of mineral properties in the Philippines. To date, no mineral development projects have been completed and commercial production has not commenced.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, an underlying assumption being that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The continued existence of the Company is dependent upon its ability to obtain additional sources of financing or negotiate appropriate farm-in arrangements, to fund current and future exploration and administrative expenditures, to meet obligations to preserve its interests in existing mineral properties and to achieve commercial production and positive cash flows from operations. Failure to obtain sufficient financing or other appropriate arrangements would have an adverse effect on the financial position of the Company and its ability to continue as a going concern.

If the going concern assumption was not appropriate to these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities and reported revenues and expenses.

2. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MRL Gold Phils., Inc.

(b) Mineral properties and deferred costs

Mineral property costs are comprised of initial property acquisition costs and related property option payments. All costs related to the exploration and development of mineral properties are deferred on a property by property basis until commencement of commercial production or a write-down is considered necessary. The recoverability of the amounts recorded for mineral properties and deferred costs is dependent on the existence of economically recoverable reserves and future profitable production from the mineral properties.

When properties are brought into commercial production, mineral properties and deferred costs related to a specific mine site will be amortized on a unit-of-production basis over economically recoverable reserves.

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

Mineral properties and deferred costs are written down when properties are abandoned or when cost exceeds net realizable value.

No provision for depletion of the amounts carried as mineral properties and deferred costs is included in the accompanying consolidated financial statements, as the properties are yet to reach commercial production.

(c) **Property and equipment**

Property and equipment are depreciated using the declining balance method at annual rates of 20% to 30% per annum.

(d) **Income taxes**

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

(e) **Diluted loss per share**

Diluted loss per share is calculated using the treasury stock method, whereby it is assumed that proceeds from the exercise of stock options and warrants are used by the Company to repurchase Company shares at the weighted average market price during the year.

(f) **Stock-based compensation**

The Company has a stock-based compensation plan as described in note 6[d].

Stock options and warrants granted to non-employees are accounted for using the fair value method whereby compensation expense is recorded based on the estimated fair value of the options or warrants at the grant date. Compensation expense is recorded as stock-based compensation expense with a corresponding increase in contributed "surplus."

Stock options granted to employees, officers, and directors are accounted for using the intrinsic value method, whereby no amount is recorded for stock options that have an exercise price equal to or greater than the fair value of the stock at the date options are granted. However, the pro forma effect of accounting for stock options granted, had the fair value-based method been used, is disclosed in the financial statements. Any consideration paid on the exercise of stock options will be credited to share capital.

Mindoro Resources Ltd.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

(g) Foreign currency translation

The Company follows the temporal method when translating foreign currency transactions and the financial statements of its integrated subsidiary.

Under this method, foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses are translated at average exchange rates for the year. Exchange gains or losses on translation of current and non-current monetary items are included in the determination of net income (loss).

(h) Measurement uncertainty

The valuation of mineral properties and deferred costs are based on management's best estimate of the future recoverability of these assets. The amounts computed with respect to stock-based compensation are based on estimates of the expected lives of the options and warrants, expected dividends, and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

3. Royalty deposits

The Company has arrangements with various Philippine landowners to conduct exploration and development activities for several mineral projects (note 4). Under these arrangements, the Company has advanced royalty deposits to these landowners which will be applied against royalties payable on future production, if any, from the related properties. If the Company abandons a mineral project, the related royalty deposit will be charged against income.

4. Mineral properties and deferred costs

	Balance, December 31, 2001	Expenditures	Balance, December 31, 2002	Expenditures	Balance, December 31, 2003
Agata*	\$ 1,069,649	\$ 16,783	\$ 1,086,432	\$ 47,401	\$ 1,133,833
Tapian*	509,114	8,747	517,861	45,038	562,899
Lahuy*	103,361	-	103,361	-	103,361
Mat-I*	-	-	-	27,000	27,000
Pan de Azucar*	414,857	210,075	624,932	40,522	665,454
Lobo**	15,122	50,330	65,452	399,074	464,526
Archangel**	15,174	10,051	25,225	66,113	91,338
	<u>\$ 2,127,277</u>	<u>\$ 295,986</u>	<u>\$ 2,423,263</u>	<u>\$ 625,148</u>	<u>\$ 3,048,411</u>

* Governed by a Memorandum of Agreement (note 4[a]).

** Governed by a Letter Agreement (note 4[b]).

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

During the year ended December 31, 2003, the Company capitalized \$92,500 (2002 - \$90,500) of a total of \$179,749 (2002 - \$179,850) in salaries and benefits expenses.

(a) Pursuant to a Memorandum of Agreement ("MOA") effective March 7, 1997 with Minimax Mineral Exploration Corporation ("Minimax"), the Company was granted the option to earn up to a 75% working interest in five mineral properties located in the Philippines. Under the terms of the MOA, the Company may earn working interests of 10%, 30% and 35% in each of the properties by completing phases one, two and three, respectively, as follows:

- (i) Phase one - incurring an aggregate of 20,000,000 Philippine Pesos ("PP") in eligible mining expenditures allocated to the properties as defined in the MOA.
- (ii) Phase two - incurring an aggregate of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA.
- (iii) Phase three - incurring an aggregate of 75,000,000 PP in eligible mining expenditures allocated to the properties as defined in the MOA.

Once a phase expenditure requirement has been met on a property, the Company has the option to enter the next phase of the project by issuing 50,000 and 100,000 Common shares to Minimax for each phase two and phase three entered into, respectively.

As at December 31, 2003, the Company has met phase one expenditure requirements on all properties under this agreement, with the exception of Lahuy, and phase two expenditure requirements on the Agata and Pan de Azucar properties by incurring the required minimum eligible expenditures. In accordance with the MOA, 300,000 Common shares of the Company have been issued to Minimax to December 31, 2002. An additional 100,000 Common shares were committed to be issued in 2003 as the Company elected to enter into phase three on the Pan de Azucar property. As these shares were not issued prior to year-end, an obligation to issue shares was recorded at December 31, 2003 at the fair value of the shares to be issued, being \$27,000, on the date the Company exercised its option.

The Company must incur expenditures in relation to each phase within time periods specified in the MOA. During the year ended December 31, 2003, the Company reached agreements with Minimax to issue an additional 100,000 Common shares as consideration for extending certain phase expenditure deadlines on the Agata, Tapian and Mat-I properties. The obligation to issue shares was recorded at December 31, 2003 at the fair value of the shares to be issued, being \$27,000, on the date the Company executed the extensions.

The Company had until January 4, 2004 to meet phase three expenditure requirements on the Pan de Azucar property. Although the Company did not meet these requirements, the Company is currently negotiating an extension to this deadline. The time periods to complete expenditure requirements for the remaining Tapian, Lahuy and Mat-I properties commence once a Mineral Production Sharing Agreement ("MPSA") is received for each property. The application for these MPSA's is in progress.

Mindoro Resources Ltd.
Notes to Consolidated Financial Statements
December 31, 2003 and 2002

Pursuant to a letter of intent dated September 18, 2003, the Company is negotiating to enter into a farm-in arrangement on the Agata, Tapian and Mat-I properties whereby an arms-length company may earn a 40% working interest in these properties by spending \$2,000,000 on the properties over a four-year period. The Company is currently finalizing the agreement.

Pursuant to an agreement dated November 4, 2003, the Company was granted an option to earn to an additional 10% working interest in Agata, Tapian and Mat-I properties from Minimax. The Company may exercise its option on each property by making a payment to Minimax equivalent to 0.5% of the gross value of each mining reserve with a minimum of \$5,000,000 US per mining reserve. The agreement also requires the Company to issue 200,000 Common shares to Minimax as additional consideration for granting the option. The obligation to issue these shares was recorded at December 31, 2003 at the fair value of the shares, being \$54,000, to be issued on November 11, 2003, the date the Company executed the option agreement.

(b) Pursuant to a Letter Agreement (the "Agreement") dated October 23, 2000 with Egerton Gold Phils., Inc. ("Egerton"), the Company was granted the option to earn up to 75% working interest in two mineral properties located in the Philippines. The Company may earn working interests of 51% and 24% in each mineral property by completing phases one and two, respectively, as follows:

- (i) Phase one - incurring an aggregate of \$1,500,000 US in eligible mining expenditures on the mineral properties. The Company is required to meet the expenditure requirements for this phase by December 1, 2005.
- (ii) Phase two - completing a feasibility study and obtaining the necessary financing to commence commercial drilling and production on the mineral properties.

Pursuant to the terms of the Agreement the Company issued 500,000 Common shares to Egerton with a fair value of \$55,000 upon receipt of the related MPSA's on the properties.

Once the phase one expenditure requirement has been met on the properties, the Company has the option to enter into phase two by issuing an additional 500,000 Common shares to Egerton.

Upon completion of phase two, the Company must issue an additional 500,000 Common shares to Egerton. At this point, Egerton will have the option to convert its 25% working interest into a 2% gross smelter royalty.

Pursuant to the terms of each MPSA, the Company is required to spend certain minimum amounts on eligible expenditures to maintain the MPSA in good standing, and these minimum requirements have been met as at December 31, 2003.

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

(c) Pursuant to an agreement dated October 28, 2002 with East West Drilling Limited ("EWDL"), the Company agreed to issue 600,000 Common shares as consideration for EWDL providing \$90,000 worth of drilling services on the mining projects described in note 4(b). The drilling services were completed during the year ended December 31, 2003, however, the related Common shares were issued subsequent to year-end, and as such, the transaction was recorded as an obligation to issue Common shares (note 6[b]). EWDL has exercised its option to provide additional drilling services for the Company by October 28, 2004 under similar terms.

5. Property and equipment

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 47,806	\$ 43,036	\$ 4,770	\$ 44,777	\$ 37,302	\$ 7,475
Computer software	40,445	38,222	2,223	37,830	33,222	4,608
Office furniture and equipment	29,724	24,602	5,122	29,224	21,735	7,489
Leasehold improvements	16,517	16,517	-	16,517	16,517	-
	<u>\$ 134,492</u>	<u>\$ 122,377</u>	<u>\$ 12,115</u>	<u>\$ 128,348</u>	<u>\$ 108,776</u>	<u>\$ 19,572</u>

6. Share capital

(a) Authorized

Unlimited number of Common shares
Unlimited number of Preferred shares

(b) Issued - Common shares

	Number	Stated Value
Balance, December 31, 2001	20,467,529	\$ 7,873,227
Pursuant to a Private Placement (note 6[b][i])	1,500,000	150,000
Pursuant to a Short Form Offering Document (note 6[b][ii])	<u>2,535,900</u>	<u>196,650</u>
Balance, December 31, 2002	24,503,429	8,219,877
For mineral properties (note 4[b])	500,000	.. 54,682
For services rendered (note 6[b][iii])	334,648	65,954
Pursuant to a Private Placement (note 6[b][iv])	1,100,000	163,575
On exercise of purchase warrants (note 6[c][i])	3,780,680	567,661
On exercise of stock options (note 6[d][i])	<u>138,000</u>	<u>22,815</u>
Balance, December 31, 2003	<u>30,356,757</u>	9,094,564
Obligation to issue Common shares (note 4)	<u>1,000,000</u>	<u>198,000</u>
		<u>\$ 9,292,564</u>

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

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- (i) Pursuant to a Private Placement, the Company issued 1,500,000 Units at a price of \$0.10 per Unit for proceeds of \$150,000. Each Unit consisted of one Common share and one Common share purchase warrant. Each warrant is exercisable into one Common share of the Company at a price of \$0.15 until July 10, 2003 and thereafter at \$0.30 until expiry on July 10, 2004.
- (ii) Pursuant to a Short Form Offering Document, the Company issued 2,535,900 Units at a price of \$0.11 per Unit for proceeds of \$196,650, net of issuance costs of \$82,299. Each Unit consisted of one Common share and one Common share purchase warrant. Warrants totalling \$2,114,900 are exercisable into one Common share of the Company at a price of \$0.15 until September 9, 2003 and thereafter at \$0.30 until expiry on September 9, 2004. The remaining 421,000 warrants are exercisable into one Common share of the Company at a price of \$0.15 until October 4, 2003 and thereafter at \$0.30 until expiry on October 4, 2004.

The Company paid the agent a 10% cash commission on the gross proceeds of \$278,949 and granted 253,590 agent's warrants. 211,490 and 42,100 agent's warrants are exercisable into one Common share of the Company at a price of \$0.11 until expiry on September 9, 2004 and October 4, 2004, respectively. The fair value of the agent's warrants was estimated to be \$22,300 using the Black-Scholes option pricing model with the following assumptions, expected option life of two years, expected volatility of 178%, risk-free rate of 3%, and a zero dividend yield. This amount has been recorded as a share issuance cost with a corresponding increase in contributed surplus.

- (iii) On January 13, 2003, the Company issued 61,922 Common shares to settle a consulting fee payable to a director in the amount of \$6,811. The transaction has been recorded at the exchange amount based on the market price of \$0.11 per Common share when the payable was settled.

On July 9, 2003, the Company issued 272,726 Common shares to settle salaries payable to certain officers in the amount of \$95,000. The transaction has been recorded at the exchange amount of \$60,000 based on the market price of \$0.22 per Common share when the liability was settled. The officers have agreed to waive the remaining \$35,000 of the payable and as such this amount has been included in contributed surplus.

The above two issuances have been recorded net of issuance costs of \$857.

- (iv) Pursuant to a Private Placement, the Company issued 1,100,000 Units at a price of \$0.15 per Unit for proceeds of \$163,575, net of issuance costs of \$1,425. Each Unit consisted of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one Common share at a price of \$0.30 until March 27, 2004, and thereafter at \$0.50 until expiry on March 27, 2005.

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

(v) Subsequent to December 31, 2003, the Company issued 500,000 Units at a price of \$0.30 per Unit for total proceeds of \$150,000. Each Unit consisted of one Common share and one-half Common share purchase warrant. Each whole Common share purchase warrant entitles the holder to acquire one Common share at a price of \$0.60 until January 11, 2006. The Company paid the agent a 10% cash commission on the gross proceeds and granted 50,000 agent's warrants to the agent. The agent's warrants entitle the agent to acquire Units at \$0.30 per Unit until January 11, 2006.

(c) A summary of the Company's Common share purchase warrants as at December 31, 2003 and 2002 and changes during the years then ended are as follows:

	Number
Balance, December 31, 2001	2,453,436
Issued with a Private Placement (note 6[b][i])	1,500,000
Issued with a Short Form Offering Document (note 6[b][ii])	2,789,490
Balance, December 31, 2002	6,742,926
Issued with a Private Placement (note 6[b][iv])	550,000
Exercised (note 6[c][i])	(3,780,680)
Expired	<u>(1,881,163)</u>
Balance, December 31, 2003	<u>1,631,083</u>

(i) During the year, 3,780,680 Common share purchase warrants were exercised for proceeds of \$562,872. Stock-based compensation costs, totalling \$4,789, originally recorded as an increase to contributed surplus during 2002 (note 6[b][ii]) on the issuance of agent's warrants has been reclassified to share capital upon the exercise of these warrants.

(ii) The following table summarizes information about Common share purchase warrants outstanding and exercisable at December 31, 2003:

Mindoro Resources Ltd.
Notes to Consolidated Financial Statements
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Number of Warrants	Exercise Price	Expiry Date
282,900	\$ 0.30	September 2004
160,810	\$ 0.11	September 2004
38,000	\$ 0.30	October 2004
42,100	\$ 0.11	October 2004
557,273	\$ 0.50	August 2004
	\$ 1.00	August 2005
550,000	\$ 0.30	March 2004
	\$ 0.50	March 2005
<hr/>		
<u>1,631,083</u>		

(d) Stock option plan

(i) The Company has a stock option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan may not exceed 10% of the issued and outstanding Common shares. The Board of Directors shall determine the terms and provisions of the options at the time of grant. Options under the plan generally have a term of five years and vest immediately, however, pursuant to shareholder approval received on July 3, 2003, the maximum term has been increased to ten years. The exercise price of each option shall not be less than the price permitted by any stock exchange on which the Common shares are then listed.

A summary of the status of the Company's stock option plan as at December 31, 2003 and 2002 and changes during the years then ended are as follows:

	2003		2002	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,894,000	\$ 0.16	1,839,000	\$ 0.32
Granted	560,000	0.15	840,000	0.13
Exercised	(138,000)	0.17	-	-
Expired or cancelled	(270,000)	0.30	(785,000)	(0.52)
<hr/>				
Outstanding and exercisable, end of year	<u>2,046,000</u>	\$ 0.14	<u>1,894,000</u>	\$ 0.16

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
\$0.10 - \$0.14	1,235,000	3.15	\$ 0.12
\$0.15 - \$0.23	811,000	3.25	\$ 0.17
	<u>2,046,000</u>		<u>\$ 0.14</u>

On February 11, 2004, the Company granted 880,000 stock options to directors, officers and employees which are exercisable at a price of \$0.36 per option expiring February 11, 2014.

(ii) Stock-based compensation

On a pro forma basis, had the Company adopted the fair value based method of accounting for stock-based compensation for stock options granted under its stock option plan, the compensation costs, net loss and net loss per share would be as follows:

		2003	2002
Compensation costs		\$ 78,400	\$ 105,800
Net loss	As reported	\$ (310,229)	\$ (241,588)
	Pro forma	\$ (388,629)	\$ (347,388)
Net loss per share - basic and diluted			
	As reported	\$ (0.01)	\$ (0.01)
	Pro forma	\$ (0.01)	\$ (0.02)

The estimated fair value of options granted were calculated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

	2003	2002
Risk-free interest rate	5.0%	5.0%
Expected hold period prior to exercise (years)	5	5
Expected volatility	150%	185%
Dividend yield per share	-	-
Grant date fair value per option	\$0.14	\$0.13

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

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(iii) During the year ended December 31, 2002, the Company settled wages payable to certain officers in the amount of \$95,000 by issuing 205,000 stock options. These options have a five-year term and an exercise price of \$0.05 per option. This settlement has been recorded as an increase in contributed surplus.

(e) Net loss per share

Net loss per share is calculated on the basic weighted average number of Common shares outstanding during the year of 27,677,032 (2002 - 21,978,740). The exercise of stock options and Common share purchase warrants would be anti-dilutive in 2003 and 2002. The Common shares the Company is obligated to issue (note 6[b]) have been included in the weighted average number of Common shares in calculating the net loss per share.

7. Contributed surplus

As summary of contributed surplus as at December 31, 2003 and 2002 and changes during the years then ended are as follows:

Balance, December 31, 2001	\$ -
On issuance of agent's warrants (note 6[b][ii])	22,300
Settlement of salaries payable (note 6[d][iii])	<u>95,000</u>
Balance, December 31, 2002	117,300
Settlement of accounts payable (note 6[b][iii])	35,000
Exercise of agent's warrants (note 6[c][i])	<u>(4,789)</u>
Balance, December 31, 2003	<u>\$ 147,511</u>

8. Income taxes

(a) Significant components of the Company's future tax asset include the following:

	2003	2002
Tax values in excess of net book value of mineral properties and deferred costs and property and equipment	\$ 201,000	\$ 246,000
Share issue costs	15,000	26,000
Loss carryforwards	1,075,000	1,350,000
Valuation allowance	<u>(1,291,000)</u>	<u>(1,622,000)</u>
	\$ -	\$ -

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

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(b) Income tax recovery differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 40.62% (2002 - 42.12%) to the net loss as follows:

	2003	2002
Expected income tax recovery	\$ (126,015)	\$ (101,757)
Decrease (increase) resulting from:		
Change in future tax asset resulting from changes in tax rates	326,184	18,450
Expiry of non-capital loss carryforwards	116,660	113,163
Future income tax expense not recognized	(332,531)	(53,708)
Settlement of salaries payable (note 6[d][iii])	-	40,014
Other	<u>15,702</u>	<u>(16,162)</u>
	<u>\$ -</u>	<u>\$ -</u>

(c) At December 31, 2003, the Company has Canadian non-capital losses of approximately \$2,952,000 for which no benefit has been recognized in the consolidated financial statements. These losses expire as follows:

Year of Expiry	Amount
2004	\$ 837,000
2005	528,000
2006	614,000
2007	349,000
2008	206,000
2009	137,000
2010	<u>281,000</u>
	<u>\$ 2,952,000</u>

Mindoro Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

9. Supplemental cash flow information

The following non-cash transactions have been excluded from the statements of cash flows:

	2003	2002
Stock-based compensation costs (notes 6[b][ii] and 6[c][i])	-	22,300
Issuance of stock options and Common shares to settle accounts payable (notes 6[b][iii] and 6[d][iii])	101,811	95,000
Mineral property costs to be settled by share issuances (notes 4[a] and 4[b])	253,000	-

10. Financial instruments

(a) Fair values

The fair values of all financial instruments approximate their carrying values due to their short-term nature.

(b) Currency risk

The Company is exposed to currency price risk to the extent of its foreign operations conducted in the Philippines. The Company does not hedge its exposure to fluctuations in the related foreign exchange rate.

11. Disposition of Mindoro Tiris Ltd. and PT Mindoro Tiris Emas

Pursuant to a Purchase and Sale Agreement dated May 29, 2002 ("the Agreement"), the Company sold all of the outstanding Common shares of its wholly-owned subsidiaries, Mindoro Tiris Ltd. ("Tiris") and PT Mindoro Tiris Emas ("Emas"). Tiris and Emas previously held all Indonesian assets and operations of the Company and were inactive during the period January 1, 2002 to May 29, 2002.

The proceeds of sale were allocated to the following combined assets and liabilities of Tiris and Emas as follows:

Cash proceeds	\$ 30,550
Working capital	6,211
Security deposit - Department of Mines and Energy (Indonesia)	<u>39,815</u>
	<u>46,026</u>
Loss on disposition of subsidiaries	<u>\$ (15,476)</u>

Mindoro Resources Ltd.

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Pursuant to the Agreement, the Company has retained a net smelter production royalty ranging from 0.5% to 1.5% of future production, if any, that the purchaser may obtain from bringing the related Indonesian mineral properties into commercial production.

CORPORATE DIRECTORY

MANAGEMENT

Tony Climie, P.Geol., President & CEO
Penny Gould, Executive Vice President
and Corporate Secretary

DIRECTORS

Roger D. Morton, Ph.D., P.Geol., Chairman
Tony Climie, B.Sc., (Hons.), P.Geol.
Gerhard F. Kirchner, Ph.D., P.Eng
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ANNUAL MEETING

The annual meeting of the shareholders will be held:

DATE: June 24, 2004, at 10:00 am

PLACE: Ebony 1 Room, Best Western
Westwood Inn,
18035 Stony Plain Road
Edmonton, Alberta, Canada

Shares Listed

TSX Venture Exchange

Trading Symbol

MIO

For additional corporate and project
Information, visit the Mindoro website:
[HTTP://WWW.MINDORO.COM](http://WWW.MINDORO.COM)



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